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SUBJECT: METI HOSTS SEMINAR ON IRAN SANCTIONS COMPLIANCE

Classified By: CDA J. ZUMWALT FOR REASONS 1.4 B and D

11. (SBU) The Ministry of Economy, Trade and Industry (METI) recently hosted German attorney Dr. Harald Hohmann at a speaking engagement at its Research Institute of Economy, Trade and Industry (RIETI). Hohmann advised GOJ officials managing Japan's Iran policy on "grey areas" Japanese companies face when conducting business with and in Iran under the U.S. sanctions regime. Commenting on the potential application of sanctions on Japanese companies with U.S. affiliation or under U.S. management because of an extended definition of "U.S. person" under the Iranian Transactions Regulations, Hohmann said companies need to obtain a precise legal analysis of their export risk and have this at their disposal. In addition, he said firms should either: (1) convince METI to take legal measures such as EC Regulation 2271/96 to protect against the effects of extra-territorial application of legislation adopted by a third country; (2) diplomatically engage the incoming U.S. Administration to limit, as far as possible, the application of sanctions through such organizations as the Center for Information on Security Trade Control (CISTEC); and (3) voluntarily comply with parts of the embargo that are not detrimental to the firm.

12. (SBU) To demonstrate the issues facing third-country firms seeking to export to Iran, Hohmann offered a hypothetical example of a Japanese company that is a 100% subsidiary of a UK corporation but listed on the New York Stock Exchange. The daily business of the parent company is conducted by a U.S. citizen, who is one of the company's CEOs and functions as Managing Director. The U.S. citizen is also active in the management of the Japanese subsidiary and can give it instructions concerning export activities. The Japanese company wants to export several machines to Iran via China and questions if U.S. sanctions apply in this case. Hohmann advised if the U.S. citizen has efficient control of the company's export activities, his function as Managing Director has a legal impact on the firm because, as a U.S. person, U.S. sanctions prohibit him from transacting with Iran. Hohmann advised the legal issue comes down to whether the U.S. person or firm exerts effective control on a third country corporation doing business with Iran.

13. (C) In the Q&A that followed, Keisuke Sadamori, METI's Counselor for International Energy Coordination, expressed frustration with "lousy" implementation of U.S. export restrictions that complicate legitimate Japanese trade with Iran. (Note: Sadamori previously was METI's Americas Division Director and he is very familiar with Iran sanctions issues via the regulatory reform process.)

14. (C) Comment: Hohmann is a German attorney in private practice, and his presentatioQwas at a RIETI Brown Bag Lunch seminar. In response to a question about whether the example Hohmann presented as a case study represented a Japanese firm, he said his analysis was based on his experience working with German firms. The event was relatively well-attended for an English-language seminar, and the

audience included representatives of Nippon Export Insurance, the Financial Services Agency, and several METI office directors and desk officers. End Comment.

15. (C) Bio note: Hohmann practices at Hohmann & Partner Rechtsanwälte in Bidingen, Germany. METI characterized him as an expert in energy and environmental law as well as export and international trade law.
ZUMWALT